



RETIREMENT FOCUS

A Newsletter for the Employees, Retirees and their Beneficiaries of Montgomery County

March 2017 Vol. 1 No. 2

A new year means new beginnings and there's no better time than now to start working towards your retirement savings goals. Start the year off by reviewing your beneficiary information, financial strategy, retirement goals and asset allocation.

See inside on how to embark on your New Year review.

DEFINED CONTRIBUTION PLANS ADMINISTRATIVE FEE CHANGES

Background

The Board of Investment Trustees has implemented fee structure changes, resulting in lower fees to participants in the Retirement Savings Plan, Deferred Compensation Plan, Police DRSP, MCGEO DROP, and Elected Officials Plan.

How were lower fees achieved?

Fee reductions were achieved primarily through a transition away from the usage of revenue sharing fees to pay for fund administration. These administrative fees pay for recordkeeping, participant statements and website access, financial planning consultants, and periodic participant educational seminars. Each participant will now pay a flat, annual fee of \$68 for plan administration, resulting in significant savings for Plan participants.

Why did we make this change?

The industry standard for Defined Contribution Plans is transitioning away from the revenue sharing model into the flat, per-participant fee model. This model is more transparent and more closely corresponds to the actual cost of the services provided by Fidelity. This change also results in lower fees for participants.

When will this change occur? Can I make changes beforehand?

These changes will be effective on March 31, 2017. You do not need to take an action, however, if you do not wish to transition to the lower cost share class, you have until **March 31, 2017** at 4:00 PM EST to elect a different investment option.

Participants invested in the funds shown below will now pay a lower expense ratio:

	Current Annual Fee	New Annual Fee	Fee Decrease
SSgA Target Date Funds	0.35%	0.12%	0.23%
ClearBridge Appreciation	0.68%	0.58%	0.10%
ClearBridge Small Cap Growth	0.91%	0.78%	0.13%
Fidelity Growth Company	0.66%	0.43%	0.23%
Fidelity Total Bond	0.45%	0.36%	0.09%
Oppenheimer Global	0.90%	0.71%	0.19%
SSgA S&P 500 Index	0.13%	0.03%	0.10%

Additionally, there are six mutual fund options that do not offer share classes that are free of administrative/revenue share fees. Moving forward, participants in these funds will have these fees allocated back to their accounts on a periodic basis.

Have questions or need more information?

Contact the Board of Investment Trustees at 240-777-8220 or by email at bit@montgomerycountymd.gov.

UNDERSTANDING YOUR 2016 Form 1099R

9898 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code Montgomery County Employees Retirement System 101 Monroe Street 15th Floor Rockville, MD 20850			1 Gross distribution \$ 25,801.44	2016 Form 1099-R	
			2a Taxable amount \$ 25,547.88		
			2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>	For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.
PAYER'S federal identification number 30-0606393	RECIPIENT'S identification number 111-11-1111	3 Capital gain (included in box 2a) \$ 0.00	4 Federal income tax withheld \$ 2,247.28		
RECIPIENT'S name Benny Pension		5 Employee contributions / Designated Roth contributions or insurance premiums \$ 253.56	6 Net unrealized appreciation in employer's securities \$ 0.00		
Street address (including apt. no.) 100 Retirement Row		7 Distribution code(s) 7	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other \$ %	
City or town, state or province, country, and ZIP or foreign postal code Rockville, MD 20850		9a Your percentage of total distribution %	9b Total employee contributions \$ 0.00		
10 Amount allocable to IRR within 5 years \$ 0.00	11 1st year of desig. Roth contrib.	FATCA filing requirement <input type="checkbox"/>	12 State tax withheld \$ 1,020.00	13 State/Payer's state no.	14 State distribution \$ 25,547.88
Account number (see instructions)			15 Local tax withheld \$	16 Name of locality	17 Local distribution \$

Form 1099-R Cat. No. 14436Q www.irs.gov/form1099r Department of the Treasury - Internal Revenue Service

Form 1099-R is an Internal Revenue Service (IRS) form on which the Employees' Retirement System (ERS) reports payments to retirees and beneficiaries.

You are required to report your **taxable** payment on your tax return, if you file, and attach a copy of the Form 1099R when you submit your tax return.

Understanding your Form 1099R:

Recipient ID: Your 9-digit Social Security number is truncated to provide only the last 4 digits for security reasons.

Box 1: Gross Distribution - The total amount paid to you before deductions for the calendar year.

Box 2a: Taxable Amount - The portion of the total amount paid to you during the calendar year that is taxable income.

Box 4: Federal Income Tax Withheld - Total amount of Federal income tax withheld for the calendar year.

Box 5: Employee Contributions – Amount of your contributions that may be recovered tax free, this is the difference between boxes 1 and 2a.

Box 7: Distribution Code(s) - Code identifying the type of benefit being paid.

**See back of Form 1099R for code listing*

Box 12: State Tax Withheld -The total amount of Maryland income tax withheld for the calendar year.

Box 14: State Distribution – Gross income being reported to your state.

WHERE TO GO FOR



STATE INCOME TAX

If you live in the metropolitan area and need help filing your state income tax return, you can get help in person or over the phone at any one of the state's income tax offices. Please consult the directory below:

Maryland	(410) 260-7980 800-MD-TAXES	8:30-4:30pm M-F
Washington, DC	(202) 727-4829	8:15-4:30pm M-F
Virginia	(804) 367-8031	8:30-5:30pm

FEDERAL INCOME TAX

For guidance on filing your individual tax forms, determining your electronic filing options, obtaining tax forms, determining your filing status, checking on your refund and much more, please contact the IRS at the following numbers:

Internal Revenue Service (IRS)	(800) 829-1040	7:00-7:00pm M-F
Internal Revenue Service (IRS) *forms	(800) 829-3676	www.irs.gov/forms-pubs

ADDITIONAL RESOURCES

Taxpayer Advocate

This service provides free help to guide you through the process of resolving tax problems with the IRS that you have not been able to handle on your own. Please call (877) 777-4778 or visit their website to find your local office at taxpayeradvocate.irs.gov.

“Free File” for Federal Tax

If your adjusted gross income (AGI) is less than \$64,000, this program will help you prepare and electronically file your federal taxes. If your income is greater than \$64,000, you can use the Free File Fillable Forms that are available on the IRS website at www.irs.gov/freefile.

Volunteer Income Tax Assistance (VITA)

If your adjusted gross income is less than \$54,000, this program will help you prepare and file your taxes for free. To find a location near you visit www.irs.treasury.gov/freetaxprep.

Tax Counseling for the Elderly (TCE)

Offers free tax help to individuals, especially those who are age 60 or older, in filing their Federal income tax returns. To find a location near you visit www.irs.gov/individuals/tax-counseling-for-the-elderly.

IMPORTANT YEAR-END REMINDERS

IRS Limits

Deferred Compensation Plan

The Internal Revenue Service has announced that the limits for 2017 will not increase from the 2016 levels. The IRS bases any increase in the limits on inflation and recalculates the limits each fall for the following calendar year.

2017 Contribution limits	
Regular	\$18,000
Age 50+ Limit	\$ 6,000
3-year Catch Up	\$36,000

Required Minimum Distribution

The IRS requires you to begin taking withdrawals from your retirement account (RSP or DCP) at 70½.

Members of the Retirement Saving Plan (RSP) or County Deferred Compensation (DCP) who are no longer working, have until April 1st of the following year after turning 70½ to begin taking distributions.

If you are a member of the Guarantee Retirement Income Plan (GRIP) and not an active employee, you are required to withdraw your entire account balance when you turn 70 ½.

Financial Check-up

Now is a good time to give your retirement plan an annual check-up with your on-site financial advisor. Whether you are retiring in the near future or many years to come, make sure you are still on the right road for a successful retirement.

Schedule a one-on-one appointment with Fidelity (all plans except ERS) or National Planning Corporation (RSP & DCP) by visiting our website at www.montgomerycountymd.gov/retirement and clicking on **Investment Counseling**.

Saver's Tax Credit

If you are a low-to-moderate income worker, you may be able to take a tax credit for making eligible contributions to your employer-sponsored retirement plan.

You're eligible for the credit if you are at least age 18; not a full-time student; and not claimed as a dependent on another person's return.

The amount of the credit is 50%, 20% or 10% of your retirement plan contributions up to \$2,000 (\$4,000 if married filing jointly), depending on your filing status and your adjusted gross income. To find out more information visit the IRS website at:
www.irs.gov/publications/p571/ch10.html

Upcoming 2017 ERS Pension Deposit Dates

Wednesday	March 1, 2017
Monday	April 3, 2017
Monday	May 1, 2017
Thursday	June 1, 2017
Monday	July 3, 2017
Tuesday	August 1, 2017
Friday	September 1, 2017

**All ERS pension payments are made the first business day of each month.*

Account Forms Review

A review of all personal information is a good idea because of life changes that might have occurred during the year.

- Beneficiary Forms
- Direct Deposit/Tax Withholding
- Address Change

Retirees please visit our website for forms at:
www.montgomerycountymd.gov/retirement.

Active Employees please visit the OHR website at:
<http://www.montgomerycountymd.gov/HR/Recruitment/EmployeeOnboarding.html#1> for forms.

Americans are living longer than ever before. While living longer is good news, a longer life expectancy means you will need to save more now to have sufficient income during your retirement.

All full-time permanent County employees are enrolled in the Employees' Retirement System (ERS), Guaranteed Retirement Income Plan (GRIP) or the Retirement Saving Plan (RSP). To supplement the benefits from the County's retirement plan, you can also participate in one of the County's Deferred Compensation (457) Plans to increase your retirement savings.

Contributions

The Deferred Compensation (457) Plans permit you to contribute funds on a pre-tax and/or after-tax (Roth) basis. Roth contributions, are made on an after-tax basis and when you withdraw the contributions they will not be taxed. Generally, a Roth contribution may be beneficial if you expect your tax rate in retirement to be higher than it had been during the years you contributed.

You can also take advantage of the Deferred Compensation catch-up provisions. In the year you turn 50, you are eligible to contribute an additional \$6,000. In addition, if you are within three years of your normal retirement date, you may be eligible to enroll in the 3-year catch up. This provision allows additional contributions of up to \$18,000. The IRS maximum for regular contributions is \$18,000.

Benefits of Contributing

If you contribute just \$1.50 a day, about the cost of a cup of coffee, you could have over \$7,400 in your deferred compensation plan in just 10 years. After 20 years, that number may increase to \$21,000. No matter how much you contribute to the DCP, the important thing is to start today!

Strategies like putting away half of your next raise or increasing your contribution by even 1% each year helps increase your savings on a regular basis. Also, for those who work overtime, think about increasing your contribution for that pay period. Every little bit helps!

Account Changes

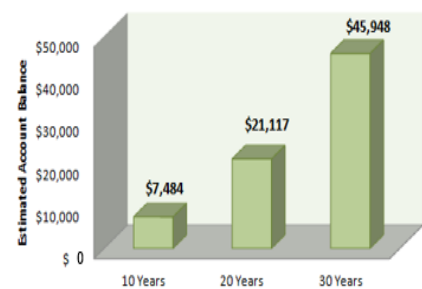
If you are in the County Deferred Compensation Plan and would like to review and/or increase your contribution elections, please visit our website at www.montgomerycountymd.gov/retirement and click on **Fidelity Login Account** to log into your account. You can also contact the onsite Fidelity representative by email at fidelityonsite@montgomerycountymd.gov or call (240) 777-8228 to discuss how to:

- Maximize your retirement savings
- Confirm your eligibility to participate in the 3-year Catch-Up
- Choose investments that match your risk tolerance

If you are a **MCGEO, IAFF or FOP** member and participating in the Union Deferred Compensation Plan, you can contact your MassMutual representative by calling (410) 207-3070 or (800) 528-9009 or by email at Keir.Richter@massmutual.com.

No matter how much you contribute, the important thing is to ***start today!***

Growth of a \$1.50 per day



DISTRIBUTION OF YOUR RETIREMENT ACCOUNT(S)

RSP/GRIP/DCP Distribution Options

When you terminate employment with the County or a participating agency, you may leave your account in the **Retirement Savings Plan (RSP)**, **Guaranteed Retirement Income (GRIP)** (until age 70 ½) and the **Deferred Compensation Plan (DCP)** or you may elect to receive a distribution.

If your RSP or GRIP account balance is greater than \$200, you may elect a direct rollover, however, if your account balance is \$1,000 or less, and you have not elected a distribution option, you will receive a lump sum payment as soon as administratively possible.

You may receive your account balance in one of the following methods:

Payment Type	RSP	GRIP	DCP
Installments	Yes	No	Yes
Lump Sum	Yes	Yes	Yes
Direct Rollover	Yes	Yes	Yes
Annuities (Life and J&S) <i>*from ERS</i>	Yes	Yes	No
Minimum Required Distribution <i>*At 70½, if no longer working</i>	Yes	Yes (lump sum)	Yes
Annuity purchase through 3 rd party	Yes	Yes	Yes

ERS Payment Options:

When you retire from the County and if you were a member of the **Employees' Retirement System (ERS)** defined benefit plan you must elect a payment option.

Payment Options include:

- 1. Modified Cash Refund Option:** This option provides you a lifetime benefit, however, if you die before receiving payments equal to all your contributions plus interest, the remaining amount will be paid to your beneficiary in a lump sum.
- 2. 10 Year Certain and Continuous Option:** This option provides you a lifetime benefit. If you die before receiving 120 monthly payments, your beneficiary will receive the remaining monthly payments to equal 120.
- 3. Social Security Adjustment Option (Age 62 or Age 65):** This option provides you a lifetime benefit. The intention is to provide you with a nearly level total income from the Plan and Social Security, from the date of your retirement until the date of your death.
- 4. Joint and Survivor Annuity Option*:** This option provides you a lifetime benefit and at your death, your designated surviving joint annuitant will receive a percentage (20%, 30%, 50%, 70% or 100%) of the benefit for the rest of his or her life.
- 5. Joint and Survivor Annuity Pop-Up Option*:** This is a joint and survivor option but provides a flexible provision where your benefit will change to the Modified Cash Refund Option in the event you and your joint annuitant divorce or your joint annuitant dies before you.
- 6. Social Security Adjustment Option (At Age 62 or Age 65) Combined with Joint and Survivor Annuity Option*:** This is a joint and survivor option that is a combination of options #3 and #4.
- 7. Social Security Adjustment Option (At age 62 or Age 65) Combined with Joint and Survivor Annuity Pop-Up Option*:** This is a joint and survivor option that is a combination of options #3 and #5.

**Joint annuitant must be your spouse, child or eligible domestic partner at time of retirement.*



SOCIAL SECURITY QUARTERLY SEMINAR

Tuesday, April 11, 2017

EOB Lobby Auditorium

10am – 12pm

Have questions about Social Security?

Attend one of our quarterly seminars where a representative from the Social Security Administration will provide employees and retirees with information about Social Security, Medicare, their online services and respond to questions.

There are limited spaces, so register at retirement@montgomerycountymd.gov today for one of the seminars. Please include your name, the session you would like to attend and if you will be bringing a guest.

Parking is available at the Council Office Building (COB) at:

100 Maryland Ave, Rockville, MD 20850
(corner of Rt.29/E. Jefferson St. & Monroe St.)

*Employees – Up to 4 hours free parking with County ID.
Retirees – A parking voucher will be provided at the seminar.*

Need more information?

Visit our website at

www.montgomerycountymd.gov/retirement

or email us at

retirement@montgomerycountymd.gov.

Can't make this seminar?

Attend one of our other upcoming seminars:

May 24, 2017

August 10, 2017

November 15, 2017

RETIREMENT FOCUS is a quarterly newsletter published by Montgomery County Employee Retirement Plans and the Board of Investment Trustees for active members, retirees and beneficiaries of the Employees' Retirement System, Guaranteed Retirement Income Plan, Retirement Savings Plan and the County Deferred Compensation Plan.

Please email or write to us with your comments on future topics at:

Montgomery County Employee Retirement Plans

Executive Office Building
101 Monroe Street, 15th Floor
Rockville, MD 20850

Website: www.montgomerycountymd.gov/retirement

Email: retirement@montgomerycountymd.gov

Phone: (240) 777-8230 | **Fax:** (301) 279-1424

National Planning Corp. representative: (410) 557-7300

Fidelity on-site representative: (240) 777-8228